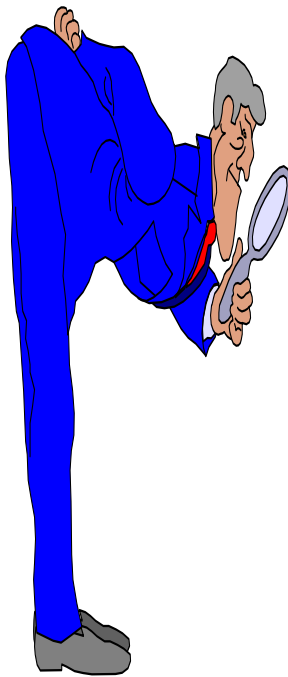


Key Ideas

Chapter 3: Budgetary Principles and Definitions



In this section, we will discuss the following:

- *The concept of balance as it relates to local government budgeting in Indiana.*
- *The organization of local government budgets.*
- *The State Board of Accounts established budgetary fund accounting method used for all local governments in the state.*

BUDGETARY PRINCIPLES AND DEFINITIONS

Indiana's local government budgeting system is based on a number of fundamental premises, which govern both substantive and administrative aspects of the budgeting process. Since these guiding principles and definitions are so essential to local government budgets in Indiana, they should be fully understood before proceeding further.

Balance

The concept of balance is one of the keys to local government budgeting in Indiana. It involves two related budgeting principles:

- Each Library Board annually adopts a single integrated and balanced budget that reflects the financial program of every office or function, both individually and collectively.
- Indiana law requires not only a balanced budget, but also one that individually balances each component fund or account.



A balanced budget is defined as available resources greater than the necessary appropriations at the end of the budget cycle.

Fund Accounts

Local government budgeting is organized into fund accounts that separate receipts and expenditures by source, purpose, function, and organizational unit within the local government. The purpose of classifying revenues and expenses according to such diverse criteria is to permit people with different interests to view the local government budget from the perspective that means the most to them. At the same time, of course, the use of fund account classifications is intended to make the local budget more useful to the elected official at every level of government.

Two basic principles of classification apply:

- Receipts within each fund are classified by source: Revenue Receipts and Non-Revenue Receipts.
- Disbursements from each fund are classified by Administrative Unit, and Object of Expense.

Uniform System of Accounts

It is called the Uniform System of Accounts and it prescribes both procedures and forms to be used in the preparation of the local budget and in the collection of revenues and the expenditure of funds. The primary purposes of the Uniform System of Accounts are these:

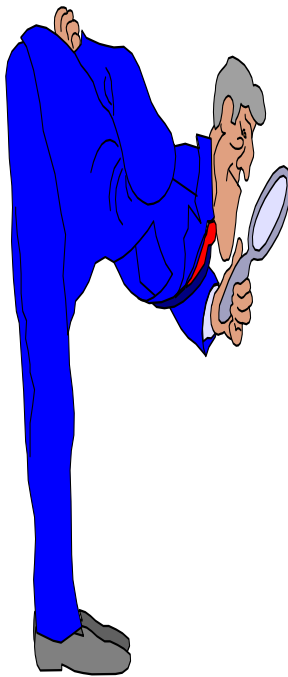
- To furnish responsible local officials with an effective aid in the management of the Library.
- To provide taxpayers with an adequate record of Library operations, and information on local government finances.
- To afford local officials, State and Federal agencies, and financial or investment analysts' sufficient statistical and economic data to assess the financial position of the Library.
- To provide officials at all levels with a uniform system for budgeting, accounting, and reporting.



Indiana's State Board of Accounts has established the budgetary fund accounting method for all local governments in the state.

Summary

Chapter 3: Budgetary Principles and Definitions



In this section, we have discussed the following:

- *The concept of balance is one of the keys to local government budgeting in Indiana.*
- *Local government budgeting is organized into fund accounts that separate receipts and expenditures by source, purpose, function, and organizational unit within the local government.*
- *Indiana's State Board of Accounts has established the budgetary fund accounting method for all local governments in the state.*